Social Sciences and Humanities Research Council of Canada Quarterly Financial Report for the Quarter Ended December 31, 2013- Revised

Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Programs

Erratum

Date: March 17, 2014

Location: Section 6 Statement of Authorities (unaudited), Total available for use for the year ending March, 31, 2014*, Vote 90 – Operating expenditures.

Revision: "Vote 90 – Operating expenditures **$23,503** thousands" replaces "Vote 90 – Operating expenditures **$23,898** thousands".

Rational for the revision: Original amount reported was not correct.

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1. Introduction

The Social Sciences and Humanities Research Council of Canada (SSHRC) was established in 1977 by the *Social Sciences and Humanities Research Council Act*, and is a departmental corporation named in Schedule II of the *Financial Administration Act*. SSHRC is a funding agency that promotes and supports postsecondary research and training in the social sciences and humanities to enhance the economic, social and cultural development of Canada, its communities and regions. Social sciences and humanities research builds knowledge about people in the past and present, with a view toward creating a better future.

Further information on the SSHRC mandate and program activities can be found in Part II of the Main Estimates.

This Quarterly Financial Report (QFR) has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates for 2013-14.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes SSHRC's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2013-14 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government of Canada. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

As part of the parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result, the measures announced in the Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-2013, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-14, the changes to departmental authorities were reflected in the 2013-14 Main Estimates tabled in Parliament.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

SSHRC uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

This quarterly report has not been subject to an external audit or review.

2. Highlights of Fiscal Quarter

Statement of Authorities

Available Authorities

SSHRC manages total authorities of $693.9 million, $332.4 million of which corresponds to the tri-agency Indirect Costs Program on behalf of the other two federal research granting agencies, the Natural Sciences and Engineering Research Council of Canada (NSERC) and the Canadian Institutes of Health Research (CIHR).

As of December 31, 2013, SSHRC's total available authorities for 2013-14 amount to $693.9 million. The changes in available authorities are the result of previous federal budget announcements that impact both the operating authorities (vote 90), and the grants and scholarships program authorities (vote 95) in the current fiscal year. To date, for 2013-14, these changes resulted in an increase in total authorities of $1.7 million (0.3%) over the prior year, of which $3.4 million represented an increase in SSHRC's grants and scholarships programs while the authorities for operating and employee benefits expenditures have decreased by $1.7 million.

In this quarter (year to date), total available authorities incorporate the elements of the 2013-14 Supplementary Estimates (B) (SEB) in addition to the first quarter's Supplementary Estimates (A) (SEA). The SEB is the second, and most significant, of three opportunities to approve changes in SSHRC's authority levels for the current fiscal year (other than transfers from Treasury Board votes). The vast majority of these changed elements are the result of previous federal budget announcements, while the balance relates to technical adjustments from Treasury Board and transfers between departments and agencies for specific initiatives. The future and ongoing impacts of SEB elements will be included in SSHRC's 2014-15 Main Estimates. For the ongoing elements from previous federal budget announcements or transfers between departments and agencies, only the net difference in the level of funding between the two fiscal years is presented in the explanation below. The net changes, amounting to the $1.7 million increase in total available authorities between the current and previous fiscal year, are mainly comprised of the following elements:

- an increase of **$7.0 million** in the Grants and Scholarships program to strengthen research partnerships between post-secondary institutions and industry (Budget 2013);
- an increase of **$3.3 million** for the Centres of Excellence for Commercialization and Research program to create a more effective and efficient way to identify commercialization opportunities (Budget 2007);
- an increase of **$0.4 million** associated with the Council's Net Vote Authority for 2013-14;
- an increase of **$0.3 million** as part of the collective bargaining agreement;
- an increase of **$0.1 million** in the Networks of Centres of Excellence program to support the Canada-India Research Centre of Excellence initiative to foster innovative and multidisciplinary partnerships in order to accelerate community transformation and sustainability (Budget 2011);
- an increase of **$0.1 million** due to the difference in the operating budget carry-forward in comparison with the previous year;
- an increase of **$0.1 million** from Public Safety as part of the agreement for the Kanishka initiative which is about better understanding what terrorism means in the Canadian context, how that is changing over time, and what can be done to support effective policies and programs to counter terrorism and violent extremism in Canada;
- a decrease of **$7.0 million** to reduce government spending and find efficiencies;
- a decrease of **$1.7 million** related to the paylist expenditures reimbursed by Treasury Board (Vote 30) for the non-recurring pay out of severance (as per governmental changes to severance pay accumulation in 2012-13);
- a decrease of **$0.8 million** due to a timing difference for net grant transfers—between federal departments—made to National Defence for the Indirect Costs of Research program; and
- a decrease of **$0.1 million** for the reduction in the operating budget for the government's cost-effectiveness initiatives resulting in the reduction of the travel budget and a transfer to Shared Services Canada for the streamlining of the procurement of end user device software.

Authorities Used in the Third Quarter

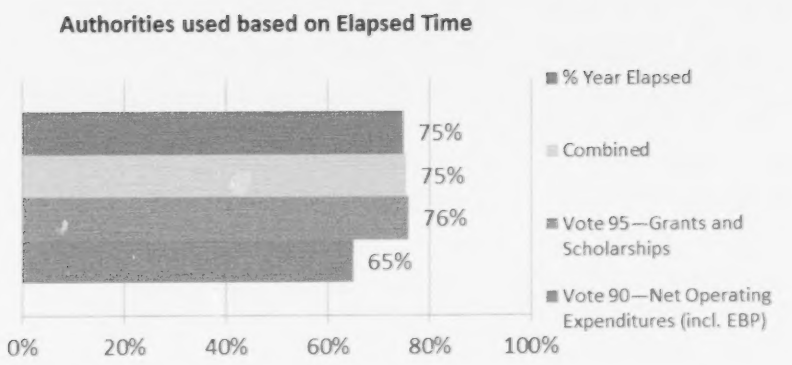
This departmental QFR reflects the results of the current fiscal period in relation to the 2013-14 Main Estimates and the Supplementary Estimates (A), for which full supply was released by Parliament on June 20, 2013, the Supplementary Estimates (B) which was approved December 16th, 2013 and the approved carry-forward of operating funds from 2012-13 to 2013-14.

The total authorities used during the third quarter of 2013-14 amounted to $194.0 million, which represents 27.9% of the total available authorities. Of the total authorities available for grants and scholarships,$188.1 million (28.2%) was used during the third quarter, which is similar to the prior year. Of the total authorities available for operating expenditures, $5.9 million (22.2%) was used in the third quarter. This represents a $1.0 million decrease from the same quarter in the previous fiscal year in operating and employee benefit expenditures. The decrease in operating and employee benefit expenditures is mainly related to a non-recurring cash-out of some benefits by SSHRC employees in 2012-13 as per governmental changes in severance pay accumulation.

Grant and scholarship payments vary between periods due to the cycle and results of the merit-reviewed funding opportunity competitions as well as the multi-year award profiles. The operating expenditures cover personnel and other operating expenses required to support the delivery of the grants and scholarships programs. Expenditures related to the Employee Benefit Plan are accounted for separately in statutory authorities. Although the majority of personnel expenditures and other operating costs are incurred in a consistent manner throughout the fiscal year, the balance of expenditures, including temporary employees hired for the peak competition season and travel costs for peer reviewers, occur in direct conjunction with the program cycle and are demand-driven. As a large proportion of the program competitions occur in the last quarter of the fiscal year, the expenditures in each of the first three quarters are typically less than 25% of the annual available operating authorities.

Authorities Used Year-to-date

Total authorities used cumulatively during the first three quarters of the 2013-14 fiscal year represented $523.9 million (75% of the available authorities). This represents $3.3 million more than the previous fiscal year. The main factors for this increase is payment timing differences in grants and scholarships between the comparative fiscal years ($5.5 million) offset by a decrease of $2.2 million in operating and employee benefit expenditures. The proportion of the cumulative grants and scholarships authorities used in the fiscal year increased to 75.9% in 2013-14 from 75.4% in the previous fiscal year. SSHRC has spent 65% of its operating authorities and employee benefits plan to date in the current fiscal year, compared to 68.8% in 2012-13. The main factor for this decrease is the non-recurring cash-out of some benefits by SSHRC employees in 2012-13, as per governmental changes in severance pay accumulation in the approved collective agreement.



Statement of Departmental Budgetary Expenditures by Standard Object

Variation in Amounts Available for Use in 2013-14

As described in the Available Authorities section, SSHRC's total parliamentary authorities have been increased by $1.7 million for 2013-14 to date over the prior year, consisting of an increase in authorities for the transfer payment programs ($3.4 million) and the decrease in authorities available for operating and employee benefit expenditures ($1.7 million).

Transfer Payment Expenditures (Grants and Scholarships)

Third Quarter Grants and Scholarships Expenditures
Transfer payments represent over 96% of SSHRC's total available authorities. Variations may occur in transfer payment expenditures between quarters due to the nature of the funding opportunity cycles. During the third quarter of 2013-14, SSHRC's transfer payment expenditures have generally remained constant in comparison to the same quarter of the previous fiscal year.

Year-to-Date Grants and Scholarships Expenditures

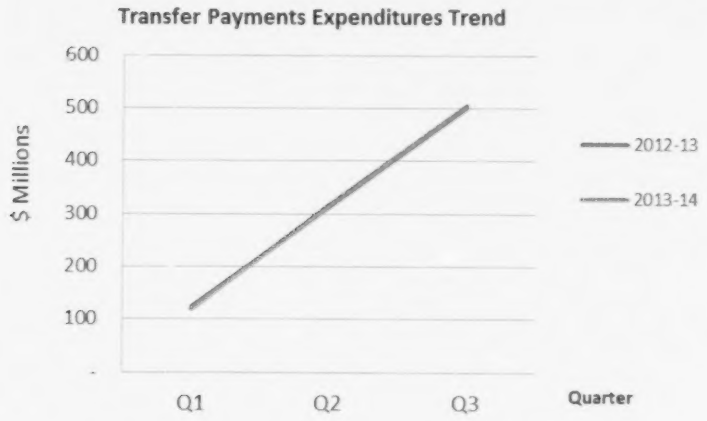
At the end of the third quarter, SSHRC spent $5.5 million (1.1%) more than what was spent at the same point in the previous fiscal year. The main factors in the increase over the prior year include:

- An increase of **$18.2 million** in the Insight Grants mainly because new grants were awarded recently along with the payment of second year commitments for these multi-year grants (in accordance with SSHRC's new program architecture).

- An increase of **$6.4 million** in the Partnership Grants mainly because there were two cohorts to pay this year as opposed to one last year (in accordance with SSHRC's new program architecture).

- An increase of **$1.4 million** in the Indirect Costs Program due to a payment timing difference for a payment that will be made in January this fiscal year whereas it was made in the third quarter last year.

- A decrease of **$20.5 million** due to the sunsetting of the Standard Research Grant Program. The last payment will occur in 2014-15.

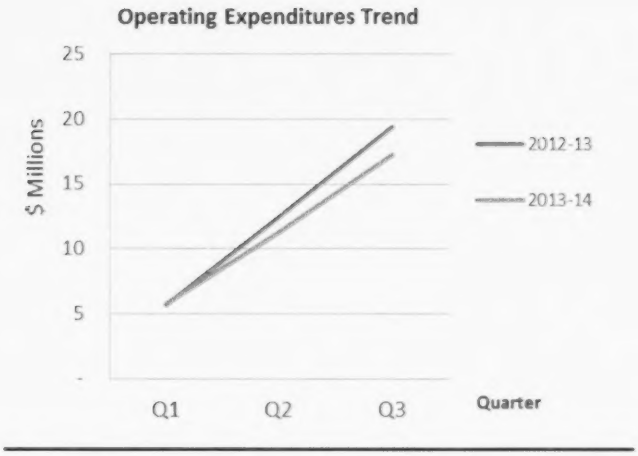


Third Quarter and Year-to-Date Personnel Expenditures

Personnel expenditures in support of program delivery account for close to 70% of SSHRC's available operating authorities and planned operating expenditures for 2013-14. In comparison with the prior fiscal year, the personnel expenditures for the first three quarters of 2013-14 decreased by $1.7 million (10.3%), $0.7 million occurring in the third quarter. This decrease is the result of governmental changes related to the cessation of severance pay accumulation for voluntary departures in the SSHRC Collective Agreement where some non-recurring benefits to employees were paid out in 2012-13.

Third Quarter and Year-to-Date Non-Personnel Operating Expenditures

Non-personnel operating expenditures include all other operating costs related to the support of program delivery. A significant proportion of these costs relate to funding opportunity competitions that take place predominantly during the last quarter of the fiscal year. The non-personnel expenditures for the first three quarters of 2013-14 decreased by $0.5 million (16.3%), in comparison with the same period the previous year. All non-personnel operating expenditures to date have generally decreased from the prior year while the expenditures to date in professional and special services are remaining generally constant due to increasing technological advancement measures through the creation of enhancement efficiencies.



3. Risks and Uncertainties

Funding and Program Delivery Risk Factors

Through the Council's most recent corporate risk identification exercise, the risks that have a potential financial impact or that deal with financial sustainability have been assessed. The impact on SSHRC and the planned mitigation strategies related to these risks are discussed below.

External Risk Factors

SSHRC is funded through annual parliamentary spending authorities and statutory authorities for program transfer payments (grants and scholarships programs) and for its supporting operating expenditures. As a result, its program activities and operations are impacted by any changes to funding approved through Parliament. Accordingly, delivering programs can be affected by factors such as the economic climate, technological and scientific development, and evolving government priorities, which impact approved resource levels (total available authorities).

Research and innovation are part of global trends; therefore participation in our programs is not only influenced by the Canadian context, but also by initiatives and opportunities worldwide. Formal communications and external relation strategies are developed by SSHRC to ensure that stakeholder relationships and expectations are managed effectively.

There is also the risk that SSHRC fails to achieve its mandate and strategic outcomes. To mitigate this risk, an integrated planning process is firmly in place at SSHRC. This process serves as the foundation for SSHRC to plan all aspects of its business in an integrated manner and, to align priorities and resources accordingly.

Internal Risk Factors

SSHRC is a knowledge-based organization that relies on maintaining its talented and committed workforce to deliver its programs. To retain its valuable human resources and their corporate memory,

SSHRC has developed a People Strategy that outlines the organization's commitments and action plan for developing talent and for building and sustaining a thriving and successful workplace and work culture. SSHRC's financial restraints are challenging the ability to hire the skilled resources needed to successfully achieve the transformation and realignment agendas to meet tomorrow's needs. Potential consequences could include workload management issues and succession planning challenges.

SSHRC is transforming its business in order to adapt more efficiently to internal changes and to improve external client service.

The budgetary pressures have required internal reductions and reallocation measures. These pressures are compounded by the operational requirement to process an increasing number of applications and absorbing inflationary costs on operating expenditures within limited or decreasing operational envelopes. SSHRC is also managing the requirement for the implementation of modernized technology solutions to better support program delivery.

Thus far, SSHRC has achieved the reduction of its operating pressures through economies of scale achieved by the shared administrative service arrangements with the Natural Sciences and Engineering Research Council of Canada (NSERC), corporate-wide prioritization and harmonization or reduction of activities, internal reallocations, and a focus on streamlining and generating efficiencies wherever possible. An established budgetary process with regular in-year budget reviews and formal reallocations for emerging priorities approved by senior management supports this endeavour. SSHRC is also undertaking a revision of its operating and grant delivery systems and processes to generate further efficiencies and future savings.

SSHRC is a lean agency in terms of operating funding provided to deliver existing and expanding programs (less than 4% of total resources). As noted above, SSHRC is pursuing business transformation to address restraint measures and funding cuts, and to enhance resource decision-making.

4. Significant Changes Related to Operations, Personnel and Programs

SSHRC has undertaken a program architecture renewal initiative to create a more flexible and effective system of program application and assessment, allowing it to maximize the contributions of research and training funds for Canada's economic prosperity and quality of life. The new program architecture has placed an emphasis on research excellence, fostering partnerships, and reporting on results. This has resulted in greater overall program coherence with flexible programming, a more responsive competition cycle, and an improved and simplified interface for applicants. The implementation of the new program architecture allows for the consolidation of existing and new funding opportunities under three umbrella programs—Talent, Insight and Connection—as well as enhanced service delivery and process re-engineering.

There were a number of important changes in comparison with the previous fiscal year that relate to operations, personnel and programs. These include the impacts generated by SSHRC's previously increased available program authorities, which resulted in expanded partnership program dimensions. SSHRC is optimizing the new investment of $7 million, announced in Economic Action Plan 2012, to enhance support for industry-academic partnership initiatives. This investment is further enabling SSHRC's partnership grants and partnership development grants. Another prevalent influence involved the continuing implementation of government-wide operating budget constraint measures, for which

details are described in the section below. The federal Budget 2013, tabled in March, included funding announcements with additional program dimensions that are being implemented by SSHRC.

5. Budget 2012 Implementation

This section provides an overview of the cost containment and savings measures announced in Budget 2012 that are being implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and modernize and reduce the back office.

In the first year of implementing Budget 2012, SSHRC achieved reductions and savings of approximately $7 million for 2012-13 and $14 million in 2013-14 and ongoing. Over Budgets 2012 and 2013, the Government of Canada reinvested $14 million, annually and on an ongoing basis, in the Grants and Scholarships program to support world-leading research through industry-academic partnership initiatives including research related to labour-market participation of persons with disabilities. These reinvestments make the net impact on SSHRC's overall budget neutral for 2013-14.

SSHRC examined all of its activities and investments, with the intention of streamlining operations and ensuring maximum efficiencies.

In realizing operating budget reductions and savings, a number of measures are being implemented to generate greater efficiency and effectiveness, including an enhanced use of technological advancements, such as teleconferencing and virtual meetings for our adjudication and merit-review processes. SSHRC has also redesigned its program architecture which has resulted in a simpler framework for grant funding and management. A rigorous and cohesive approach to priority setting, project planning and training further helps the Council meet its goals.

Expenditures in the third quarter of 2013-14 are lower than the same period from the previous fiscal year. Excluding the effect of the non-recurring severance benefits cash-out, the operating expenditures are generally decreasing.

There was no incremental funding provided to SSHRC to implement cost savings measures.

There are no specific financial risks or uncertainties related to these savings.

Chad Gaffield, PhD, FRSC
President, SSHRC

Alfred Tsang CMA
Chief Financial Officer, SSHRC

Ottawa, Canada

February 20, 2014

6. Statement of Authorities (unaudited) for the Quarter Ended December 31, 2013

Social Sciences and Humanities Research Council of Canada
Quarterly Financial Report
For the quarter ended December 31, 2013

(in thousands of dollars)	Fiscal Year 2013-14			Fiscal Year 2012-13		
	Total available for use for the year ending March 31, 2014*	**Used during the quarter ended December 31, 2013**	**Year-to-date used at quarter-end**	**Total available for use for the year ending March 31, 2013***	**Used during the quarter ended December 31, 2012**	**Year-to-date used at quarter-end**
Vote 90—Operating Expenditures	23,898	5,248	15,276	25,552	6,193	17,325
Vote-Netted Revenues	395	-	-	-	-	-
Vote 90—Net Operating expenditures	**23,503**	**5,248**	**15,276**	**25,552**	**6,193**	**17,325**
Vote 95—Grants and Scholarships	667,791	188,088	506,709	664,339	188,152	501,222
Budgetary Statutory Authorities—Employee Benefits Plan	2,630	653	1,958	2,696	700	2,100
Total Budgetary Authorities	**693,924**	**193,989**	**523,943**	**692,587**	**195,045**	**520,647**

* Includes only authorities available for use and granted by Parliament at quarter-end.

7. Departmental Budgetary Expenditures by Standard Object (unaudited) for the Quarter ended December 31, 2013

Social Sciences and Humanities Research Council of Canada
Quarterly Financial Report
For the quarter ended December 31, 2013

(in thousands of dollars)	Fiscal Year 2013-14			Fiscal Year 2012-13		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended December 31, 2013	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended December 31, 2012	Year-to-date used at quarter-end
Expenditures						
Personnel	17,730	4,999	14,534	19,795	5,664	16,201
Transportation and communications	1,583	140	434	1,446	217	640
Information	412	60	125	423	113	179
Professional and special services	4,713	600	1,654	4,556	748	1,646
Rentals	194	89	357	211	24	71
Repair and maintenance	586	(17)	5	592	76	280
Utilities, materials and supplies	181	25	70	152	9	37
Acquisition of machinery and equipment	1,129	5	55	1,073	42	371
Transfer payments	667,791	188,088	506,709	664,339	188,152	501,222
Total Gross Budgetary Expenditures	**694,319**	**193,989**	**523,943**	**692,587**	**195,045**	**520,647**
Less revenues netted against expenditures: Vote-Netted Revenues	395	-	-	-	-	-
Total Net Budgetary Expenditures	**693,924**	**193,989**	**523,943**	**692,587**	**195,045**	**520,647**